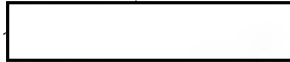


TOP SECRET



25

9 March 1953

MEMORANDUM FOR: Mr. Outerbridge Morsey
Policy Planning Staff
Department of State

FROM : Director of Central Intelligence

I attach a copy of the memorandum on Spain which I showed to Ambassador Dunn and you this afternoon. This memorandum is supposed to have emanated from the Commerce Department in Spain and to have received Franco's personal approval. The person who handed it to me is reputable and I accept his views as to the origin of the memorandum but its contents do not seem to me to add much to our sum total of knowledge on the subject.

SIGNED

ALLEN W. DULLES

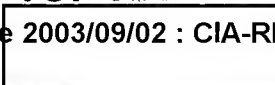
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NEXT REVIEW DATE:
AUTH: HR 70-2
DATE: 1204 81 REVIEWER:

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State Department review completed

TOP SECRET



Feb. 14, 1953

M E M O R A N D U M .

In appraising not only Spain's willingness but desire to participate in the defence of Europe, it is necessary to recognise as a fundamental fact that of the countries of Western Europe, Spain is the strongest in its anti-communistic feelings. The relations, therefore, of the two staunchest opponants of communism, the United States in the Western Hemisphere and Spain in Europe, should be the subject of fresh appraisals between the new Washington Administration and the Spanish Government at the highest possible level.

In order for Spain to contribute its maximum effort in assisting in the defence of Europe, it is necessary that it be strengthened economically, for without this preliminary process, it is not in effective position to receive military aid. To reach, therefore, a proper degree of military preparedness, Spain shall require a solid platform of economic well-being.

Spain endorses the principles of the statements numerically itemized by President Eisenhower in his inauguration address.

General Franco's desire to reach agreement with the United States is predicated, and understandably so, on the principle that such an agreement receives the approval of the Spanish Army and the Spanish people.

The negotiations between the two governments have thus far produced the feeling that it is not the intention nor the wish of the American Government to have the Spanish Army equipped as a first-rate military force. Similarly, the Spanish people, known for their pride

-2-

and strength of character, cannot accept the principle of foreign sovereignty over any acres of Spanish soil that may be permitted to be used by U.S. military or naval forces.

The principal points therefore for successfully reaching an agreement with Spain may be stated as follows:

I. Economic Aid. An outright grant in the amount of \$125,000,000 to be apportioned and used for the following specific purposes:

- a.) Increase of small and medium arms
and ammunition production\$10,000,000
- b.) Rehabilitation of Spanish railroads.....\$15-20,000,000
- c.) Raw materials purchases for such
items as cotton, rubber, iron
tin, jute, etc., approximately.....\$100,000,000

Spain is prepared to use the peseta countervalue of this grant-aid for the building of roads, public works, etc., and are further prepared to receive guidance in the selection and execution of such projects by an appropriate United States commission.

II. Military Aid.

A. The granting of military aid should be based on the principle that the Spanish army must be equipped in the same manner and proportionately to the same degree as other Western European armies.

B. A military agreement for the granting of such aid should take into account the following points:

- a.) Equipping of some 25 to 30 Spanish divisions.
- b.) Anti-aircraft defence of Spain.
- c.) Protection of sea communications and collaboration with
other naval forces.

-4-

preserve their ratio of superiority over the Spanish army. It is felt that this is a matter that the United States shall be able to effectively control. But this fact demonstrates precisely that the rearmament of Spain and the creation of the aforementioned Spanish divisions would be the best stimulant for the rearmament of the other European nations. And the only way of avoiding war in Europe is by constructing powerful armed forces.

It should be mentioned that the \$125,000,000 that has been allocated to Spain was originally voted by Congress as a grant. To date Spain has received no payments from these funds, as President Truman made the funds subject to additional conditions which, in their actual form, requires the counterpart payment of some five billion pesetas, to be spent in Spain on United States military projects.

This condition is economically out of the question because it would mean inflation. If in Spain today five billion pesetas were to be put in circulation within a short space of time, the result would be a swift rise in wages and prices that would be totally disproportionate to Spain's economic structure. This would surely result in a ruinous inflation, with adverse political effects, as Spanish public opinion would attribute it to the presence of the United States. It is therefore inadvisable to plan military aid without taking into consideration the economic point of view, for as President Eisenhower said in his address of February 2nd, "a healthy and strong economy is absolutely necessary if we want to maintain an adequate military force."

-3-

- d.) Supplying Spain with heavy military equipment, tanks, guns, vehicles, etc.

III. Use of Spanish Bases:

- A. Spain is prepared to provide air and naval bases as may be mutually agreed.
- B. In consideration for the granting of such bases, Spain shall be given \$200,000,000 to be spread over a number of years. A part of the countervalue in pesetas would be used by the Spanish Government to cover the expense of the construction, use and improvement of the bases. These funds shall also be partially used to support the additional Spanish divisions.
- C. The yearly financial support for the continued use of the bases, as well as for the support of the military divisions can be the subject of mutual determinations.

Spain's alternative to joining in the defence program is neutrality. In a neutral position it may be expected that Spain would be among the last to receive the damaging blasts of the enemy's atomic bombs. By granting bases to the United States, Spain would be among the first to be attacked. Should Spain fail to reach agreement with the United States for economic aid, military aid, bases, etc., within the M.S.A., there remains the possibility of studying an agreement with the United States that would be completely different, but, nevertheless, remaining within a certain framework in as much as both countries have taken such a definite anti-communistic position.

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